



AFRICAN WILDLIFE FOUNDATION®

Financial Statements

For the Year Ended June 30, 2009

(With Summarized Financial Information for the Year Ended June 30, 2008)



and Report Thereon

AFRICAN WILDLIFE FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
African Wildlife Foundation, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of the African Wildlife Foundation, Inc. (AWF) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of AWF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from AWF's 2008 financial statements and, in our report dated September 11, 2008, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AWF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AWF as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

RAFFA, P.C.

Washington, DC
September 30, 2009

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Financial Position

As of June 30, 2009

(With Summarized Financial Information as of June 30, 2008)

	2009	2008
Assets		
<i>Current assets</i>		
Cash and cash equivalents (note 2)	\$ 3,360,805	\$ 4,676,569
Investments (note 4)	10,622,859	12,642,384
Pledges and bequests receivable, current portion (note 5)	4,817,835	3,988,398
Public sector grants receivable	1,094,538	613,312
Advances to partners	783,350	247,920
Prepaid expenses	683,118	501,465
Accounts receivable	157,847	238,387
Loan receivable, current portion (note 7)	46,686	-
<i>Total current assets</i>	<i>21,567,038</i>	<i>22,908,435</i>
Conservation land	4,083,583	-
Pledges and bequests receivable, non-current portion (note 5)	3,917,526	4,757,140
Property and equipment, net (note 6)	1,553,651	1,299,404
Loan receivable, non current portion (note 7)	1,078,151	148,334
Beneficial interest in perpetual trusts (note 8)	347,178	486,297
Office rental deposit	28,943	26,194
Total assets	\$32,576,070	\$29,625,804
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	2,563,966	1,240,901
Refundable advances	1,739,237	1,351,446
Current maturities of notes payable (note 9)	96,558	-
Capital lease obligation, current portion (note 10)	10,206	10,206
Annuities payable, current portion (note 11)	6,269	6,797
<i>Total current liabilities</i>	<i>4,416,236</i>	<i>2,609,350</i>
Notes payable, less current maturities (note 9)	2,007,877	-
Annuities payable, non-current portion (note 11)	74,010	80,022
Capital lease obligation, non-current portion (note 10)	23,815	34,022
Total liabilities	6,521,938	2,723,394
<i>Commitments, contingencies and risks (note 12)</i>		
Net assets		
Unrestricted (notes 13 & 17)	13,694,203	12,842,143
Temporarily restricted (note 14)	10,087,614	11,787,952
Permanently restricted (note 15 & 17)	2,272,315	2,272,315
Total net assets	26,054,132	26,902,410
Total liabilities and net assets	\$32,576,070	\$29,625,804

The accompanying notes are an integral part of these financial statements.

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Activities

For the Year Ended June 30, 2009

(With Summarized Financial Information for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Operating revenue and support					
Gifts from individuals	\$ 4,315,522	\$ 909,409	\$ -	\$ 5,224,931	\$ 12,936,701
Legacy gifts	1,360,424	-	-	1,360,424	1,490,612
Corporate and foundation support	151,072	5,664,767	-	5,815,839	5,722,741
Public sector support	8,490,470	92,085	-	8,582,555	7,866,473
Royalties and other earned income	85,886	6,759	-	92,645	80,734
Payout from endowment funds	502,498	-	-	502,498	573,765
In-kind contributions	663,300	-	-	663,300	3,284,100
Net assets released from program restrictions	8,288,862	(8,288,862)	-	-	-
Total operating revenue and support	23,858,034	(1,615,842)	-	22,242,192	31,955,126
Operating expenses					
<i>Program services</i>					
Conservation programs	14,174,224	-	-	14,174,224	12,506,800
Public education	2,392,989	-	-	2,392,989	5,183,930
Membership programs	828,243	-	-	828,243	892,200
<i>Total program services</i>	<i>17,395,456</i>	<i>-</i>	<i>-</i>	<i>17,395,456</i>	<i>18,582,930</i>
<i>Supporting services</i>					
Finance and administration	1,262,056	-	-	1,262,056	1,199,454
Fundraising	1,524,764	-	-	1,524,764	1,885,111
<i>Total supporting services</i>	<i>2,786,820</i>	<i>-</i>	<i>-</i>	<i>2,786,820</i>	<i>3,084,565</i>
Total operating expenses	20,182,276	-	-	20,182,276	21,667,495
Change in net assets from operating activities	3,675,758	(1,615,842)	-	2,059,916	10,287,631
Non-operating activities					
Investment earnings (losses)	(724,057)	(1,086)	-	(725,143)	993,100
Unrealized losses from investments	(1,525,230)	(16,204)	-	(1,541,434)	(1,513,573)
Unrealized losses on beneficial interest in perpetual trusts	-	(139,119)	-	(139,119)	(23,606)
Realized loss on sale of real estate	-	-	-	-	(20,000)
Reclassification of endowment fund net assets (note 15)	(71,913)	71,913	-	-	-
Payout to operations	(502,498)	-	-	(502,498)	(573,765)
Change in net assets from non-operating activities	(2,823,698)	(84,496)	-	(2,908,194)	(1,137,844)
Change in net assets	852,060	(1,700,338)	-	(848,278)	9,149,787
Net assets, beginning of year	12,842,143	11,787,952	2,272,315	26,902,410	17,752,623
Net assets, end of year	\$13,694,203	\$ 10,087,614	\$ 2,272,315	\$ 26,054,132	\$ 26,902,410

The accompanying notes are an integral part of these financial statements.

AFRICAN WILDLIFE FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2009
(With Summarized Financial Information for the Year Ended June 30, 2008)

	Program Services					Supporting Services				2009 Total	2008 Total
	Conservation Programs	Program Management	Total Conservation Programs	Public Education	Membership Programs	Total Program Services	Finance and Administration	Fundraising	Total Supporting Services		
Salaries and benefits	\$ 3,823,749	\$ 909,498	\$ 4,733,247	\$ 453,448	\$ 85,968	\$ 5,272,663	\$ 830,974	\$ 676,910	\$ 1,507,884	\$ 6,780,547	\$ 7,334,212
Professional fees and construction	2,768,147	85,415	2,853,562	293,747	176,035	3,323,344	164,117	220,254	384,371	3,707,715	2,860,785
Travel and meetings	1,784,723	268,954	2,053,677	196,096	1,053	2,250,826	21,063	41,845	62,908	2,313,734	1,785,444
Partner expenses	1,122,631	-	1,122,631	117,366	-	1,239,997	-	-	-	1,239,997	968,464
Supplies	640,200	30,253	670,453	21,380	24,546	716,379	34,417	44,612	79,029	795,408	606,250
Printing	46,891	12,536	59,427	120,111	284,197	463,735	1,345	215,509	216,854	680,589	767,826
Occupancy, maintenance and utilities	232,837	126,832	359,669	2,773	-	362,442	294,843	-	294,843	657,285	632,679
Vehicle operations	488,680	23,286	511,966	34,571	4	546,541	370	203	573	547,114	676,212
Postage and delivery	39,023	11,142	50,165	31,534	222,145	303,844	6,507	195,446	201,953	505,797	481,858
Equipment rental and maintenance	355,429	28,228	383,657	31,902	-	415,559	36,950	3,643	40,593	456,152	386,334
Workshops	288,590	744	289,334	57,715	39	347,088	-	882	882	347,970	345,757
Scholarships and training	60,701	64,324	125,025	207,265	171	332,461	3,912	263	4,175	336,636	351,392
Communications	239,414	46,900	286,314	9,404	-	295,718	36,556	457	37,013	332,731	347,818
Administrative costs	189,969	27,720	217,689	3,341	1,729	222,759	68,239	2,906	71,145	293,904	180,077
Depreciation	12,036	42,755	54,791	56,518	-	111,309	51,575	2,268	53,843	165,152	123,365
Promotions and advertising	16,386	-	16,386	13,613	17,789	47,788	13,563	71,017	84,580	132,368	113,008
Miscellaneous	22,795	21,754	44,549	-	-	44,549	10,984	16,762	27,746	72,295	253,610
Membership dues	11,719	427	12,146	38,524	591	51,261	5,915	6,057	11,972	63,233	93,226
Exchange rate fluctuations	64,965	25,384	90,349	-	-	90,349	-	-	-	90,349	75,078
In-kind expenses	-	-	-	663,300	-	663,300	-	-	-	663,300	3,284,100
Total direct expenses	12,208,885	1,726,152	13,935,037	2,352,608	814,267	17,101,912	1,581,330	1,499,034	3,080,364	20,182,276	21,667,495
<i>Allocation of facilities expenses</i>	<i>209,559</i>	<i>29,628</i>	<i>239,187</i>	<i>40,381</i>	<i>13,976</i>	<i>293,544</i>	<i>(319,274)</i>	<i>25,730</i>	<i>(293,544)</i>	<i>-</i>	<i>-</i>
Total	\$ 12,418,444	\$ 1,755,780	\$ 14,174,224	\$ 2,392,989	\$ 828,243	\$ 17,395,456	\$ 1,262,056	\$ 1,524,764	\$ 2,786,820	\$ 20,182,276	\$ 21,667,495

The accompanying notes are an integral part of these financial statements.

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2009

(With Summarized Financial Information for the Year Ended June 30, 2008)

	2009	2008
Cash flow from operating activities		
Change in net assets	\$ (848,278)	\$ 9,149,787
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation and amortization	165,152	113,008
Bad debt expense on pledges and bequests	(8,065)	350,090
Bad debt expense on loans receivable	10,390	9,684
Donated stock	(385,154)	(1,763,715)
Realized losses (gains) on sales of investments	886,158	(577,754)
Realized losses on sales of real estate	-	20,000
Unrealized losses on investments	1,541,434	1,513,573
Unrealized losses on beneficial interest in perpetual trusts	139,119	23,606
Contributions restricted for long-term investment	-	-
<i>Changes in assets and liabilities:</i>		
Accounts receivable	80,540	(24,204)
Public sector grants receivable	(481,226)	101,541
Pledges and bequests receivable	18,242	(5,008,486)
Advances to partners	(535,430)	(111,999)
Prepaid expenses	(181,653)	(344,852)
Office rental deposit	(2,749)	(491)
Accounts payable and accrued expenses	1,323,065	769,700
Refundable advances	387,791	655,097
Annuities payable	(6,540)	(3,345)
Net cash provided by operating activities	2,102,796	4,871,240
Cash flow from investing activities		
Proceeds from sales of property and equipment	-	140,451
Proceeds from sales of livestock	57,233	-
Development of livestock held for sale	(14,803)	-
Purchase of livestock held for sale	160,260	-
Purchases of property and equipment	(622,089)	(1,102,835)
Purchase of conservation land	(4,083,583)	-
Proceeds from sales of investments	12,662,851	4,967,812
Purchases of investments	(12,685,764)	(5,674,688)
Issuance of loans receivable	(986,893)	(158,018)
Net cash used in investing activities	(5,512,788)	(1,827,278)
Cash flows from financing activities		
Principal payment of capital lease obligation	(10,207)	(6,804)
Principal payments on debt	(758,998)	-
Proceeds received from issuance of debt	2,863,433	-
Net cash provided by (used in) financing activities	2,094,228	(6,804)
Net increase (decrease) in cash and cash equivalents	(1,315,764)	3,037,158
Cash and cash equivalents, at beginning of year	4,676,569	1,639,411
Cash and cash equivalents, at end of year	\$ 3,360,805	\$ 4,676,569
<i>Supplemental cash flow information: Donated Stock</i>	<u>\$ 385,154</u>	<u>\$ 1,763,715</u>

The accompanying notes are an integral part of the financial statements.

AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. Organization

The African Wildlife Foundation, Inc. (AWF), together with the people of Africa, works to ensure the wildlife and wild lands of Africa will endure forever. To accomplish this mission, AWF approaches its work at the landscape level, implementing a variety of efforts that conserve land, protect species and empower people. AWF is an international conservation organization headquartered in Nairobi, Kenya, and incorporated in Washington, DC.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes funds in checking accounts. Cash and cash equivalents held in certain board-designated investment reserves are considered investments as such amounts are not used for general operating purposes.

Fair Value Measurements

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AWF has the ability to access.

- Level 2 - Inputs to the valuation methodology include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. For assets or liabilities with a specified contractual term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Continued

AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

2. Summary of Significant Accounting Policies (continued)

As of and for the year ended June 30, 2009, AWF has valued all of its investments and its beneficial interest in perpetual trusts using quoted prices in active markets for identical assets as described above.

Investments

Investments consist of money market funds, equity mutual funds, and fixed income mutual funds. Investments are reflected in the financial statements at the quoted market prices. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period. Any resulting increase or decrease in the fair value of investments is reflected in the statement of activities and change in net assets under non-operating activities.

Conservation Land

Conservation land is real property that AWF believes has significant ecological value and is managed as a part of AWF's regional conservation strategy. AWF records conservation land at the fair value on the date of acquisition.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. AWF purchases property and equipment under certain grants for use in its foreign field offices. Under the terms of these grant agreements, the grantor retains the right to property and equipment purchased with grant funds. Accordingly, AWF expenses such purchases in the period they are incurred. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

Certain items of property held by AWF are not depreciable, including land and developing livestock to be held for sale. Land is stated at cost. Developing livestock held for sale is stated at the lower of cost or market.

Classification of Net Assets

Unrestricted net assets include revenue derived from unrestricted contributions, public sector grants and contracts, investment income, and other revenues received without donor imposed restrictions. These net assets are available for the operations of AWF.

Temporarily restricted net assets represent amounts that are specifically restricted by the donor for specific programs, or are time restricted based upon the payment schedule of the related promises to give.

Permanently restricted net assets represent amounts received with donor stipulations that require the gift to be held in perpetuity and permit only the income to be used for the purposes designated by the donors.

Continued

AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

2. **Summary of Significant Accounting Policies (continued)**

Revenue Recognition

Public sector support is recognized as revenue as allowable costs are incurred in accordance with the grant terms. Accordingly, costs incurred but not yet reimbursed are reflected as grants receivable on the accompanying statement of financial position. Refundable advances represent the portion of payments received that have not yet been expended. Public sector support includes grants and contracts from various world governments, including the United States.

Contributions and gifts are recognized as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts and contributions not designated for specific purposes by the donor are recorded as unrestricted revenue when received.

In-Kind Contributions

In-kind contributions reflect goods and services donated to AWF and are recorded at their estimated fair market value as of the date of the gift. In-kind contributions recorded relate to an ongoing advertising campaign, and are classified within AWF's public education program.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated from supporting services to the programs benefited based on total direct expenses.

Transactions in Foreign Currencies

Foreign currency transactions are translated into U.S. Dollars at current exchange rates except revenues and expenses, which are translated at average exchange rates during each reporting period. Exchange gains and losses resulting from foreign currency transactions are reported in the statement of functional expenses.

Continued

AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

2. Summary of Significant Accounting Policies (continued)

Advances to Partners

AWF advances grant funds to partners under the terms of its various restricted program grants and cost reimbursable grant agreements, and records these amounts as advances to partners. Upon submission of the required financial reports by the partners detailing the amount of funds expended under these grant agreements during each quarter and upon the approval of such reports by AWF, AWF recognizes grant expense to the extent of allowable direct and indirect expenses incurred by the partners. Any amount advanced by AWF in excess of expenses incurred by the partners is reflected in advances to subcontractors in the accompanying statement of financial position.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Measure of Operations

In its statement of activities, AWF includes in its definition of operations all revenues that are an integral part of its programs and supporting activities. Investment income, including realized and unrealized gains and losses, earned in excess of AWF's aggregate authorized payout to operations are recognized as non-operating activities.

3. Restricted Cash and Cash Equivalents

Under the terms of several grant agreements, AWF is required to maintain separate cash accounts for activity related to these grants. As of June 30, 2009, \$1,551,673 of AWF's cash balance as reported in the accompanying statement of financial position is restricted as required in the terms of these agreements.

4. Investments

AWF's investments as of June 30, 2009 were comprised of the following:

	Cost	Market
Equity mutual funds	\$ 2,375,583	\$ 1,757,235
Fixed income mutual funds	376,051	364,481
Money market funds	8,501,143	8,501,143
Total	<u>\$ 11,252,777</u>	<u>\$ 10,622,859</u>

Continued

AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

4. Investments (continued)

Investment income, including \$56,411 of interest earnings on cash and cash equivalents, for the year ended June 30, 2009 was comprised of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrealized losses	\$ (1,202,587)	\$ (338,847)	\$ -	\$ (1,541,434)
Interest and dividends	147,032	42,254	-	189,286
Realized losses	(704,946)	(181,212)	-	(886,158)
Investment fees	(23,318)	(4,953)	-	(28,271)
Investment earnings	(581,232)	(143,911)	-	(725,143)
Total investment income	<u>\$ (1,783,819)</u>	<u>\$ (482,758)</u>	<u>\$ -</u>	<u>\$ (2,266,577)</u>

5. Pledges and Bequests Receivable

As of June 30, 2009, pledges and bequests receivable consist of \$9,209,219 in pledges and \$317,498 in bequests and are promised as follows:

	Amount
Due in less than one year	\$ 5,071,406
Due in one to five years	4,255,311
Due in more than five years	<u>200,000</u>
Subtotal	9,526,717
Less: Discount of pledges and bequests	(315,020)
Less: Allowance for uncollectible pledges and bequests	<u>(476,336)</u>
Total pledges and bequests receivable	<u><u>\$ 8,735,361</u></u>

6. Property and Equipment and Accumulated Depreciation

AWF held the following property and equipment as of June 30, 2009:

	Amount
Vehicles, office equipment and leasehold improvements	\$ 1,135,529
Developing livestock available for sale	117,831
Nairobi headquarters land and building	<u>961,962</u>
Total property and equipment	2,215,322
Less: Accumulated depreciation	<u>(661,671)</u>
Property and equipment, net	<u><u>\$ 1,553,651</u></u>

Continued

AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7. Loans Receivable

As of June 30, 2009, 31,400,000 Kenya Shillings (\$401,483), and \$798,334 is receivable as follows:

	Amount
Principal due within one year	\$ 46,455
Principal due in one to five years	1,042,162
Principal due in more than five years	<u>108,511</u>
Subtotal	1,197,128
Less: Discount of pledges and bequests	(52,217)
Less: Allowance for uncollectible pledges and bequests	<u>(20,074)</u>
Total loans receivable	<u><u>\$ 1,124,837</u></u>

8. Beneficial Interest in Perpetual Trusts

AWF is the beneficiary of perpetual trusts held and administered by third parties. The present value of the estimated future cash flows (as measured by the fair value of the underlying investment) was recognized as an asset and contribution revenue at the date the trusts were established. Distributions of annual earnings of the trusts are recorded as investment income.

The beneficial interest in perpetual trust is \$347,178 as of June 30, 2009. Periodically, AWF re-measures its beneficial interest at fair value. The resulting adjustment is included on the statement of activities as temporarily restricted unrealized losses on perpetual trusts and totaled \$139,119 for the year ended June 30, 2009.

9. Notes Payable

Notes payable consisted of the following as of June 30, 2009:

	Current Maturities	Long-Term Debt
Loan from the Nature Conservancy's Land Purchase Fund in the original principal amount of \$2,253,433, secured by a portion of AWF's investments. Interest is due annually at a rate of 5%, with the principal due August 4, 2011.	\$ -	\$ 1,815,637
Unsecured term loan issued by Bank of America in the original principal amount of \$305,000. Payments are due in monthly installments based on an interest rate of 4.7%, with due repayment by March 31, 2012.	<u>96,558</u>	<u>192,240</u>
Total notes payable	<u><u>\$ 96,558</u></u>	<u><u>\$ 2,007,877</u></u>

Continued

AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

10. Capital Lease Obligation

AWF has entered into a non-cancellable capital lease relating to office equipment that expires December 2012. The leased equipment is included in property and equipment at a cost of \$51,032 with accumulated amortization of \$17,011 as of June 30, 2009. The future minimum lease payments required for this capital lease at June 30, 2009 are as follows:

Year Ended June 30,	Amount
2010	\$ 10,206
2011	10,206
2012	10,206
2013	3,403
Total	<u>\$ 34,021</u>

11. Annuities Payable

AWF administers twelve gift annuities with a total market value of \$173,000. In return, AWF has agreed to pay the donors annual annuities totaling \$13,974.

At June 30, 2009, the present value of all annuities is \$80,280 of which \$6,269 is a current liability and \$74,010 is a long-term liability as included in the statement of financial position.

12. Commitments, Contingencies and Risks

Concentration of Credit Risk

AWF's cash is held in accounts at various domestic and foreign financial institutions. Amounts held in foreign accounts and balances held in domestic accounts that exceed the FDIC insurable limit are uninsured. AWF has never experienced nor anticipates any losses on its funds. As of June 30, 2009 uninsured amounts totaled \$3,351,435.

Foreign Operations

AWF is headquartered in Nairobi, Kenya, and has field offices in various African countries for the purpose of conserving the wildlife and wild lands of Africa. The future results of AWF's programs could be adversely affected by a number of potential factors such as currency fluctuations or changes in the political climate.

Lease Commitments

AWF has entered into operating leases for its Washington office as well as its offices throughout Africa. As of June 30, 2009, the future minimum rental payments required under the lease are as follows:

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AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

12. Commitments, Contingencies and Risks (continued)

Year Ended June 30,	Amount
2010	\$ 267,665
2011	304,155
2012	304,880
2013	302,727
2014 and beyond	<u>1,304,492</u>
Total	<u>\$ 2,483,919</u>

Total rent expense for the year ended June 30, 2009 is \$529,624.

OMB Circular A-133

AWF has instructed its independent auditors to audit its Federal programs for the year ended June 30, 2009 in compliance with Circular A-133 issued by the U.S. Office of Management and Budget (OMB). Until such audit is finalized, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that matters arising from the Federal agency's review of the independent auditor's reports for 2009 will not have a material effect on the financial position of AWF.

Provisional Indirect Cost Rates

Billings under cost reimbursable United States government grants and contracts are calculated using provisional rates that permit recovery of indirect costs in accordance with AWF's negotiated indirect cost rate agreement with USAID. These rates are subject to final determination by USAID six months after the end of each calendar year. AWF's rates have been finalized for the year ended June 30, 2008. For the year ended June 30, 2009, revenue from United States government grants and contracts has been recognized using the actual indirect cost rate achieved, which is less than the provisional rate currently approved by USAID. In the opinion of management, adjustments, if any, from the final determination by USAID will not have a material effect on AWF's financial position as of June 30, 2009 or results of operations for the year then ended.

13. Unrestricted Net Assets

Unrestricted net assets include funds designated by the Board of Trustees to function as endowments in order to support the future endeavors of AWF. As of June 30, 2009, the Board designated endowment funds totaled \$9,558,827, of which \$8,725,098 is invested.

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AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

14. Temporarily Restricted Net Assets

As of June 30, 2009, the temporarily restricted net assets consisted of the following:

	Amount
African Heartlands	\$ 4,638,175
Conservation enterprise	1,766,358
Capacity building and education	1,814,391
Conservation Science	935,128
Other	933,562
Total	<u>\$ 10,087,614</u>

15. Permanently Restricted Net Assets

Permanently restricted net assets represent the following endowment funds established by donors:

	Amount
Conservation training and education	\$ 1,099,574
Conservation science	1,072,741
General endowment	100,000
Total	<u>\$ 2,272,315</u>

Earnings on the permanently restricted endowment funds are temporarily restricted to extent that they exceed the fair value of the original gifts.

16. Reclassification of Endowment Fund Net Assets

During the year ended June 30, 2008, the fair value of certain endowment fund assets fell below the fair value of the original gifts as a result of unfavorable market fluctuations. These investment losses were incorrectly recorded against temporarily restricted net assets. Statement of Financial Accounting Standards No. 124 "*Accounting for Certain Investments Held by Not-for-Profit Organizations*" requires that investment losses in excess of accumulated unexpended temporarily restricted investment gains be recorded as reductions of unrestricted net assets. These investment losses totaling \$71,914 have been reclassified to unrestricted net assets.

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AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

17. Endowment Funds

Interpretation of Relevant Law

In January 2008, the District of Columbia enacted §44-1631 “The Uniform Prudent Management of Institutional Funds Act of 2007” (UPMIFA), which AWF has interpreted as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, AWF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policies of the organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the fair value of the original gift(s). Deficiencies of this nature are reported as part of unrestricted net assets. As of June 30, 2009, AWF’s various donor-restricted endowment funds had total accumulated deficiencies of \$537,383, which is the result of unfavorable market fluctuations.

Composition of Endowment Funds by Net Asset Category

As of June 30, 2009, AWF’s endowment consists of six individual funds established for a variety of purposes, and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. AWF’s invested endowment fund breaks out as follows:

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**AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

17. Endowment Funds (continued)

	Unrestricted	Permanently Restricted	Total
<u>Donor-restricted funds:</u>			
Program restricted (3)	\$ (433,779)	\$ 2,172,315	\$ 1,738,536
General endowment (1)	(21,585)	100,000	78,415
<i>Subtotal donor-restricted funds (4):</i>	<u>(455,364)</u>	<u>2,272,315</u>	<u>1,816,951</u>
<u>Board-designated funds:</u>			
Program restricted (1)	313,748	-	313,748
General endowment (1)	9,245,079	-	9,245,079
<i>Subtotal Board-designated funds (2):</i>	<u>9,558,827</u>	<u>-</u>	<u>9,558,827</u>
Total endowment funds (6):	<u>\$ 9,103,463</u>	<u>\$ 2,272,315</u>	<u>\$ 11,375,778</u>

Return Objectives and Risk Parameters

AWF has adopted an investment policy designed to preserve and protect endowment funds from erosion of purchasing power of principal and earnings that might otherwise be caused by currency inflation over time. The investment performance goal for the aggregate of AWF's various endowment funds is an overall target total return of at least five percent greater than the sum of actual rates of inflation (as measured by the Bureau of Labor Statistics Consumer Price Index for all Urban Consumers [CPI-U]) and attendant costs of managing AWF's assets. "Total return" of the portfolio is the combination of interest, dividends, and other current earnings, plus capital appreciation (or less capital depreciation) for the period. Within the context of donor restrictions, inflation protection, and acceptance of prudent levels of investment risk, AWF may utilize specialized fund manager skills to achieve its investment goals.

AWF generally targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. During the year ended June 30, 2009 AWF's Board of Trustees temporarily altered its investment strategy toward preservation of capital in response to the extreme volatility present in the capital markets.

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AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

17. **Endowment Funds (continued)**

Spending Policy on Donor and Purpose-Restricted Endowment Funds

As of June 30, 2009, AWF's endowment included five individuals funds that were either donor-restricted (four funds) or purpose-restricted by the Board of Trustees (one fund). In the absence of specific spending guidelines established by a donor, AWF has a policy to spend five percent of these endowment funds' average beginning invested market values for the prior three fiscal years. However, a fund's spending rate is reduced or eliminated if the resulting invested balance of that fund would fall below the fair value of the original gift(s). In establishing this policy, AWF considered its stated return objective with the intent to, over the long term, allow its endowment funds to grow at or above that of inflation. This is consistent with the organization's objective to maintain the purchasing power of the endowment funds' assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. During the year ended June 30, 2009, no spending payouts were withdrawn from endowment funds that were either donor-restricted or purpose-restricted by the Board of Trustees, as payouts would have increased the fund deficiencies created by recent unfavorable market fluctuations.

Spending Policy on Board-Designated General Endowment Fund

The Board of Trustees has adopted a spending policy to use of up to seven percent of the beginning invested market value of the Board-designated endowment in current year operations, or a lower amount as agreed through AWF's annual budgeting process. This spending policy takes into account the Board of Trustees' policy to add unrestricted legacy gifts to the Board-designated endowment. AWF generally expects unrestricted legacy gifts to meet or exceed the required annual spending payout from the Board-restricted endowment, resulting in net positive cash flows to the fund on an annual basis. Coupled with AWF's stated return objective, the Board-designated endowment fund is expected to achieve real growth net of inflation over the long-run.

During the year ended June 30, 2009, \$502,498 was withdrawn from the Board-designated endowment for use in operations. This represents 5.1 percent of the beginning invested market value of the fund, and is included in the Statement of Activities as "Payout from Endowment Funds".

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AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

17. Endowment Funds (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 10,558,564	(52,170)	\$ 2,272,315	\$ 12,778,709
Reclassifications	<u>(71,913)</u>	<u>71,913</u>	<u>-</u>	<u>-</u>
<i>Endowment net assets after reclassification</i>	<i>10,486,651</i>	<i>19,743</i>	<i>2,272,315</i>	<i>12,778,709</i>
Investment losses	(2,241,114)	-	-	(2,241,114)
Contributions	1,360,424	-	-	1,360,424
Spending payout	<u>(502,498)</u>	<u>(19,743)</u>	<u>-</u>	<u>(522,241)</u>
Endowment net assets, end of year	<u>\$ 9,103,463</u>	<u>\$ -</u>	<u>\$ 2,272,315</u>	<u>\$ 11,375,778</u>

18. Retirement Plan

AWF has a retirement savings plan under Internal Revenue Code Section 401(k) that covers all Washington-based salaried employees. AWF's Africa-based employees participate in a separate retirement savings plan located outside the United States. In both plans, employees are eligible to participate in the plan upon incurring hours of service. All salaried Washington-based employees are fully vested in all employer contributions upon entering the plan. Retirement expense relating to all retirement plans for the year ended June 30, 2009 total \$409,278.

19. Allocation of Joint Costs

During the year ended June 30, 2009, AWF incurred joint costs of \$1,553,848 from direct mail campaigns that included both educational materials and fundraising appeals. Of those costs, \$663,928 was allocated to fundraising expenses, \$815,490 to membership programs and \$74,430 to public education.

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AFRICAN WILDLIFE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

20. Income Taxes

AWF is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. However, income from certain activities not directly related to AWF's tax-exempt purpose is subject to taxation as unrelated business income. During the year ended June 30, 2009, AWF generated unrelated business income from investment income earned on hedge funds. This investment was liquidated.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. AWF have elected to defer the application of Interpretation 48 for the year ended June 30, 2009. AWF evaluate their uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

21 Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 financial statement presentation.

22. Prior Period Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AWF's financial statements for the year ended June 30, 2008, from which the summarized information was prepared.